



Tourism and Events Department
7506 E Indian School Rd
Scottsdale, Arizona 85251

To: Steve Geiogamah, Tourism Development Manager
From: Paul Basha, Transportation Director, Transportation Department
Date: November 21, 2017
Subject: Scottsdale Sky Harbor Connection

Recommendation

The Transportation Department recommends:

A FY 2017/18 Tourism Development Fund operating contingency transfer in the amount of \$300,000 to the Transportation Department operating budget for use in supporting the Scottsdale Sky Harbor Connection Program.

History

The City Council-approved five-year tourism strategic plan recommends a direct transportation connection between Phoenix Sky Harbor International Airport and the City of Scottsdale. Transportation is important to the tourism industry as both visitors to Scottsdale and the City of Scottsdale wish visitors to travel to various businesses and events during their stay. A need exists to provide Scottsdale visitors direct transportation from Sky Harbor International Airport to Scottsdale, and to better serve visitors within the City of Scottsdale.

In the 2015 STR DestinationMAP (Volume I) research with meeting planners, 45 percent of all respondents considered local transportation “very important” as a factor in their site selection. This is an increase from 30 percent in 2013. In the same study (Volume II), out of the top 40 markets, Scottsdale’s local transportation ranked No. 36; a decrease from No. 32 in 2013. And out of Scottsdale’s competitive set of Las Vegas, Orlando, Phoenix, and San Diego; Scottsdale’s local transportation was ranked last. In addition, Experience Scottsdale in partnership with SMARI, a marketing research company, conducted consumer research in 2015 for a new destination brand. The research revealed that visitors perceive Scottsdale’s public transportation and walkability less positive than Scottsdale’s residents. In addition, Scottsdale’s competitors (Palm Springs, Austin, San Diego, Las Vegas, Miami, Santa Fe, San Antonio, and Phoenix) are perceived to have better public transportation and walkability than Scottsdale.

For the past several months, various ideas to provide a direct connection between Sky Harbor and Scottsdale were discussed with the Tourism Advisory Task Force and the Transportation Commission, and with representatives of the Transportation Department, the Tourism and Events Department, the Economic Development Department, the Procurement Department, and the City Manager’s Office.

These ideas included direct regular service city trolleys from Sky Harbor International Airport to Scottsdale. One option was to incorporate these trolleys into existing trolley routes. A second option was to use these trolleys to provide direct service to hotels. Another option was a regular service Sky Harbor International Airport to Scottsdale trolley route to leased property for a multi-company rental car facility perhaps located at the intersection of 64th Street and McDowell Road, or another area on or near the McDowell Road corridor, or the Loloma School parking area. Another concept was to subsidize hotel shuttle routes. None of these ideas were satisfactory for several reasons including costs, logistics, equity, and procurement.

After several months of deliberation, an idea was developed to use a process similar to our Cab Connection process, using private ride-sharing companies instead of cab companies. The concept is to allow people to use Uber, Lyft, or Z-Trip with a partial City reimbursement to travel from Sky Harbor International Airport to a hotel in Scottsdale.

The original concept included a Request For Proposals process. This concept would ensure equity and allow private companies to determine and provide the service details. However, the City of Scottsdale has limited expertise with ride share to provide sufficient detail in developing a meaningful Request For Proposals. The effort to acquire the necessary expertise would have required considerable resources and time. It was suggested that a six to twelve month trial program be pursued. This trial period would assess the program viability and would allow the city to gain experience in the event a future Request For Proposals process is necessary or appropriate.

This program is a partnership among several City of Scottsdale departments, Experience Scottsdale, and three transportation vendors. All those involved in this project believe it will be an innovative, low-cost, flexible, easily-implemented, and if necessary easily-terminated, solution. Utilizing existing private transportation providers will facilitate transportation between Sky Harbor International Airport and the City of Scottsdale, as well as travel between both origins and destinations within the City of Scottsdale. This program would have a substantially lower cost than the estimated cost of other transportation options.

This program should:

- **Improve perceptions about Scottsdale's transportation:** Scottsdale often receives criticisms from visitors and meeting planners regarding limited transportation options. This program provides increased transportation options in Scottsdale.
- **Enhance the visitor arrival experience:** This program would change the arrival experience. Currently visitors arriving at Sky Harbor wishing to rent a car to travel to Scottsdale, must board an airport bus and travel west through an industrial area to the Rental Car Facility, then return travel east through much of the same industrial area to arrive in Scottsdale. With this program, a Scottsdale visitor could arrange for a ride-share at Sky Harbor, then be driven directly to Scottsdale through either Papago Park or on freeways with views of the McDowell Mountains and Tempe Towne Lake. Their destination could be to a hotel where, if they desire, they could rent a car for all or part of their visit.
- **Increase sales tax for Scottsdale:** Visitors preferring to rent a car could do so from the convenience of their hotel. The City of Scottsdale would collect the sales tax. Visitors would benefit from the lower car rental tax rate.
- **Garner positive media coverage:** A unique program that addresses a current visitor concern and improves visitor experience would gain the community positive attention.
- **Showcase Scottsdale as innovative:** As other communities invest in expensive high capacity transit options with lengthy planning processes and construction periods, this program allows our community to offer convenient transportation quickly and at a substantially lower cost, without disruption to local businesses.
- **Reduce parking issues in downtown:** Visitors using the program to travel to downtown Scottsdale will not utilize parking spaces.

This proposed concept with a funding request was formally presented to the Tourism Advisory Task Force at its 1 November 2017 meeting. The request was unanimously approved by the quorum present (8-0).

Analysis & Assessment

Currently the City of Scottsdale Transportation Department administers a program of vouchers for its Cab Connection program. This program subsidizes travel for people certified as physically unable to use conventional bus or trolley routes. Riders are provided a paper voucher which is then given to the cab drivers. The cab companies submit monthly invoices to the City of Scottsdale, which are then verified and paid. The city pays 80% of each trip to a maximum of \$10 per trip, and the maximum vouchers per person is 16 per month. Five cab companies participate in the program.

The Scottsdale Sky Harbor Connection program would utilize a similar process, except smart phones would be used instead of paper vouchers. A visitor would utilize a code for transportation from Sky Harbor International Airport to a Scottsdale destination, or from a Scottsdale origin to Sky Harbor International Airport, or between an origin and destination both within the City of Scottsdale. Confirmation of only these three trip types would occur through "geo-fencing" which is commonly utilized by ride-share companies.

To receive reimbursement through this program, each ride-share company would provide the city a monthly invoice report detailing each trip with its origin and destination, and the reimbursement amount. This information will ensure program requirements are satisfied, while also providing valuable data for an eventual long-term program, should the trial program prove successful.

The maximum city payment would be \$10 per trip with a maximum of two trips in six months. The intent is to limit visitors to two trips in six months. However, ride-share companies might not be willing to provide traveler identity to the city. Therefore the maximum trips could become two per ride-share company or six total trips in six months. Also recognized is that groups of two or more individuals could each separately use their code which would increase the number of trips for reimbursement by a specific individual.

Each transportation provider will receive a maximum reimbursement amount to ensure the total City costs remain within budget. Allotted reimbursement amounts will be rebalanced during the program as necessary to ensure maximum program participation.

A six-month trial period is envisioned from January to June 2018. The total budget would be \$300,000. This cost was estimated based on Scottsdale specific data including hotel occupancy, air travelers, stay length, party size, redemption rates for similar programs, and transportation costs.

Traditional buses and trolleys in Scottsdale are funded by federal and regional grants and local sales-taxes paid by both residents and visitors. The transportation services are then provided to bus riders for an additional fee and to trolley riders for free. The proposed trial program would be funded by the Transient Occupancy Tax which is paid only by visitors.

Other communities have implemented transportation solutions with ride-sharing companies, although none are as comprehensive as this trial program.

- Mountain View, California enacted a ride-sharing credit to incentivize travelers to ride share rather than drive and park in downtown.
- Pinellas Park, Florida, a suburb of Tampa, eliminated two bus routes by paying a portion of Uber rides. Riders on certain routes receive a 50 percent discount for rides with a maximum subsidy per ride.
- A similar partnership exists between Lyft and Centennial, Colorado.
- In Altamonte Springs, Florida, the city pays for 20 percent of any Uber ride within city limits.

Experience Scottsdale will support this trial by helping to promote the program through various channels as part of their current program. In addition, the program will be promoted via Scottsdale hotels to registered guests and via other visitor-focused Scottsdale businesses. The transportation providers also will support this program through their own direct marketing.

Another option for the City of Scottsdale would be a direct trolley route connecting Scottsdale to Sky Harbor International Airport. This route would most likely serve specific Scottsdale destinations and therefore would likely not include all Scottsdale hotels. The route would need to operate 365 days-per-year, a minimum of twenty minutes-per-hour and twelve hours-per-day. The cost for this service is estimated to be \$1 million to \$4 million annually. It would also require the purchase of three vehicles at a total cost of approximately \$2.5 million. Passenger facilities would also be necessary in Scottsdale. Therefore, the ride-share trial program is substantially less expensive while providing greater response and flexibility for visitors.

Potentially Available Funds

The City Treasurer's Office has estimated FY 2017/18 Transient Occupancy Tax revenue at \$19.4 million. Fifty percent of the total Transient Occupancy Tax revenue derived from the Transient Occupancy Tax, per voter approval, is used for destination marketing to promote tourism (estimated at \$9.7 million), and the remaining fifty percent is allocated among tourism research, support for tourism-driven events, tourism-related capital projects, and other eligible uses. The estimated FY 2017/18 undesignated, unreserved ending Tourism Development Fund balance, including Council approved ongoing debt and expenses, is \$12.1 million.

The Transportation Department would administer the program within its current budget and personnel, and will collaborate with the Tourism and Events Department, and Experience Scottsdale.

Recommendation

The Transportation Department recommends that the Tourism Development Commission recommend a FY 2017/18 Tourism Development Fund operating contingency transfer in the amount of \$300,000 to the Transportation Department operating budget for use in supporting the Scottsdale Sky Harbor Connection Program.

The Transportation Department intends to present this recommendation to the City Council at their meeting of 5 December 2017.

SKY HARBOR TO SCOTTSDALE CONNECTION



LOW SURVEY RATINGS

- LOCAL TRANSPORTATION
- PUBLIC TRANSPORTATION AND WALKABILITY

POOR VISITOR TO SCOTTSDALE

AIRPORT EXPERIENCE

- NO SCOTTSDALE INFORMATION
- BUS EAST TO RENTAL CAR FACILITY
- DRIVE WEST TO SCOTTSDALE

PREVIOUS IDEAS

TROLLEY ROUTE: SKY HARBOR TO SCOTTSDALE

- SCOTTSDALE RENTAL CAR FACILITY
- HOTELS



PREVIOUS IDEA

REQUEST FOR PROPOSALS

RIDE-SHARE AND OTHERS

RECOMMENDATION

- SIX-MONTH TRIAL PERIOD
- THREE PROVIDERS
 - UBER
 - LYFT
 - Z-TRIP



RECOMMENDATION

- FROM SKY HARBOR TO SCOTTSDALE HOTEL
- FROM SCOTTSDALE HOTEL TO SKY HARBOR
- BETWEEN TWO SCOTTSDALE LOCATIONS
- TWO TRIPS PER PERSON IN SIX MONTHS
- MAXIMUM OF \$10 PER TRIP

PROCESS SIMILAR TO CAB CONNECTION

SIMILAR PROGRAMS

- MOUNTAIN VIEW, CALIFORNIA
- PINELLAS PARK, FLORIDA
- CENTENNIAL, COLORADO
- ALTAMONTA SPRINGS, FLORIDA

